

TOTSCo One Touch Switch (“OTS”) Charging Structure – proposal and request for feedback CCUK response - August 2023

About CCUK

1. Comms Council UK is a membership-led organisation that both represents and supports telecommunications companies that provide services to business and residential customers in the UK. We keep Britain talking in its various guises by providing or reselling voice services over data networks (VoIP) as well as other “over the top” applications including instant messaging and video.
2. The membership is a mixture of network operators, service providers, resellers, suppliers and consultants involved in a sector that is diversifying rapidly. CCUK represents its members at a policy level, builds coalitions to collaborate on industry initiatives and provides a platform to help members prepare for change, learn about new trends and develop new business relationships.
3. We welcome the opportunity to respond to this consultation. We make points in two areas: on the charging proposals and on TOTSCo’s financial position more generally. We trust that our submission is useful and we remain at your disposal to answer any questions arising.
4. In the interests of transparency, two members of the CCUK board, Nicholas Holland and Simon Burckhardt, are also serving TOTSCo directors. This CCUK response has been prepared without their involvement.

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TOTSCo charging proposals

5. The charging structure postulated by One Touch Switching Company Limited (“TOTSCo”) is simple, and charging a fixed amount by reference to the number of connections a user has is attractive in principle. However, this charging model does not ultimately pass the principle that costs ought only to be borne by those who cause them. Under the proposed model, the same amount will be paid by:
 - a. an operator with a million households and modest growth who avoids churn through good customer satisfaction and loyalty; and
 - b. an operator with a million households that adds 50% connections while losing 50% of its connections.
6. In other words, the operator which satisfies its customers subsidises the one that does not. We suggest that this is not fair.
7. In our opinion, the only fair method is to bill per-switch. Such a system could be one in which all pay a reasonable annual fee which includes x number of transactions, with x being enough that most small retailers would not likely go over and therefore need billing separately. A system like this would prevent the need to bill a large number of small retailers tiny amounts, but also create a system which is broadly on a per-transaction basis.
8. Every month, every TOTSCo member bills millions, if not billions, of events (of which there are hundreds of thousands of possible combinations). Therefore, we remain unconvinced by any argument that claims that billing a simple unit of successful switches multiplied by however many times a user had one in a period is overly-complicated.

TOTSCo finances: general principles

9. TOTSCo refers to itself as a not-for-profit company¹, yet its Articles of Association do not appear to place any such limitation upon it. Granted, a company limited by guarantee without share capital can only distribute profits in accordance with the Articles, but they are silent on this point too. There is, therefore, a mismatch between the public descriptions of TOTSCo and those filed with Companies House. This is a key point, given TOTSCo's position as an approved monopoly².
10. Providers of electronic communications services in the UK and to its 28.2 million households have no choice but to consume TOTSCo services to exist, and so all possible measures should be taken to ensure that it in no way acts as a barrier to entry.
11. We also consider that TOTSCo meets the definition of an 'associated facility' in the Communications Act 2003, and that it should have ex-ante conditions imposed upon it by the regulator by virtue of it being a monopoly-associated facility. This should include a cost-orientation provision, or a charge-control based on a hypothetical efficient operator of a One Touch Switching platform. We suggest that either of these would be a level below the charges suggested by TOTSCo. Given the requirement placed on industry to consume TOTSCo services and fund its operations, it is imperative that there is transparency on every expense and that TOTSCo's expenditure is no more than required to function effectively for the benefit of the industry.

ENDS

¹ <https://totsco.org.uk/about-us/> [accessed 2nd August 2023]

² Open letter to One Touch Switch Implementation Progress Steering Group and residential communications providers in scope of OTS rules published by Ofcom on 5th April 2023